

Stina Marie Santiestevan
1411 Oklahoma
Waterford, MI 48327
248-738-0546

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E.D. MICHIGAN-DETROIT

March 18, 2014

Steven W. Rhodes, Judge
United States Bankruptcy Court
Eastern District Michigan, Southern Division
211 W. Fort St., Suite 1800
Detroit, MI 48226

Honorable Judge Rhodes:

RE: CASE NO. 13-53846
Pension Cuts

Thank you, Your Honor, for inviting letters from City of Detroit retirees and employees regarding the impact of the pension cuts proposed by the Detroit Emergency Financial Manager, Kevin Orr. Your interest in the "human side" of these proposed cuts speaks volumes about your commitment to equity and justice within the bankruptcy system. Recognizing that reading these letters, and pondering their contents, will take even more time in your already overflowing schedule, I am grateful, we are grateful, to have your ear and your judgment.

I am luckier than most retirees due to a combination of circumstances, some of which were more a matter of fortune than actual diligence on my part. Nevertheless, I, along with most City employees, worked very hard to create my "luck." Rather than focusing at this juncture on the issue of the pension cuts, please allow me to say a few words about myself, because we are all individuals, not just statistics, and about the City of Detroit's financial plight, because that plight cannot be laid at the feet of City employees, and they should not be expected to bear the brunt of the burden.

I am a 70-year-old City of Detroit pensioner. I worked for the City for 27 years, first in the Mayor's Office (Neighborhood City Halls Division) and later in the Ombudsman's Office. During those years I was working full time; I was a single mother of two children; and I was putting myself through the University of Michigan/Dearborn, later attending Wayne State Law School where I earned a JD, and still later managed to pass the bar exam, at the ripe old age of 50+. As you can imagine, I worked very, very hard for several years to try to make a good life for me and my family.

I worked very hard for the City as well, believing—perhaps naively—in the American Dream, and the implied contract (I was an at-will employee) with the City of Detroit: That if I put in my time, worked hard and long for the citizens of the City, I would be able to retire with a package of benefits I could count on: decent health care, a tax break from the State of Michigan, and a healthy pension, providing a fairly comfortable (though not at all without its constraints) retirement.

The bulk of my work, as is the case for the majority of other City employees, was for the benefit of the citizens of the City. In the Neighborhood City Hall, we assisted citizens with their complaints, worked with community organizations to improve the quality of life in the neighborhoods, and provided walk-in services for seniors and others who would not have been able to travel downtown for those services without great difficulty.

In the Ombudsman's Office, we assisted citizens with their complaints against the City of Detroit, attempted to work with City departments to resolve those complaints, initiated investigations into specific systemic issues with executive branch policies, and when necessary, provided public reports on those issues with suggestions for resolution.

In other words, I attempted, through my various assignments, to improve the fairness, efficacy, and efficiency of the City services, and thereby improve the quality of life for the citizens of the City of Detroit.

I tell you all this so that you will understand I am merely one of many who got up early, went to work every day, believed in the future, and believed in the City of Detroit. Many were working menial jobs for minimal wages. As Jesse Jackson famously said about low-income workers in general, "They caught the early bus." We were not slackers, though many, for various political reasons, prefer to characterize us as such.

During those years I worked for the City, I recognized that Detroit was suffering from many financial slings and arrows: the slow but steady erosion of auto industry jobs, the decades-long consistent refusal of area banks to invest in City businesses and homes, the exploitation of peoples' racial fears and prejudice by the real estate industry in promoting "block busting" tactics which were eventually prohibited by court judgment, but which had already done severe damage to City neighborhoods.

Other actions, governmental policies rather than commercially-based decisions, well-meaning but damaging to the City, such as the freeway systems, the government-backed mortgages from the FHA and the VA, and the benefits to veterans after World War II, helped speed the exodus of City residents, along with their tax support, to the suburbs.

Over the years, the City of Detroit suffered time and again from far-off financial decisions and developments such as NAFTA, the various policies encouraging industries to take their jobs overseas in the search of cheaper and cheaper wages, and the various financial melt-downs reflecting the cyclical nature of capitalism, which always seemed to hit Michigan and Detroit more severely than other locales.

The point of all of the above is that the City's current financial plight cannot and should not be laid at the feet of hard working employees who simply toiled for their paychecks, with little or no control over all the forces bringing this once grand City to her knees. It's facile and cheap, and basically inaccurate, to blame "labor unions" or "the Democrats" or even "City voters who elected the crooks," but more than this: it is manifestly unfair to City employees and retirees. Their "sin," our "sin," my "sin," was to believe in the letter of the law as laid out in State of Michigan statutes and the Michigan Constitution, as well as Detroit ordinances, regulations, and policies. We believed in, and worked for, the system as we found it.

Media observers and others have claimed the City workers were "spoiled," expecting and getting inflated wages and benefits compared to others. In contrast, City employees and retirees know that we have already sacrificed time and again in the name of fiscal prudence. In addition to rounds of layoffs, adding to the work burden over the years, City employees watched their wages and benefits decline, as the City struggled to overcome its difficulties. Pension amounts determined by "defined benefits" became pensions estimated by "defined contributions." Health care packages, once generous and reassuring to an aging and increasingly vulnerable population, became less and less predictable, less affordable, and more and more expensive and frightening. City pensions, which once enjoyed a tax-free status from the State of Michigan, will now be taxed to the full extent of the code, increasing pensioners' tax burden by several thousand dollars a year, in many cases. Retirees and City employees believe with validity that they have already sacrificed, over and over again, in an effort to help the City financially.

But now comes the bankruptcy process, which seeks to lump together all "unsecured creditors," regardless of their circumstances, regardless of whether they understood when they were working all those years that they were only "creditors," not retirees, not pensioners, not trusted employees. It may be argued with some validity that those other unsecured creditors, those investing presumably spare funds (we are told not to invest funds which we cannot afford to lose) into City-issued securities, those creditors are not at all similarly situated with those who were "investing" their daily labor, their working years so that they may have a modest pension to retire on.

Thus there's a distinction, I believe between the living circumstances and standards of living of investors looking to simply increase their "earnings," versus those of hourly employees who usually have little or nothing extra to "invest," other than their own daily labor.

Those distinctions should, in all fairness, be taken into account, when determining the Bankruptcy Plan for the City of Detroit, to a much greater extent than that proposed thus far by Mr. Orr, who appears more anxious to protect and support financial institutions.

Let me get personal and relate my own circumstances. I am spending my "golden years" taking care of my 93-year-old mother, thankfully still alive but very dependent on others. If I were not able to do this, she would probably have to live out her life in a nursing home, because she can no longer take care of herself. Her financial circumstances are such that she has had to rely on my limited financial assistance, which heretofore I could provide as needed. If, however, Mr. Orr's plan is implemented, my monthly income will decrease by at least \$1200 per month. This decrease will take place at the same time my medical expenses are rising substantially, and I will be expected to pay state income taxes. Further I will lose, as will all others, any further cost of living adjustments, another significant cut over time.

I have chronic medical conditions, including asthma, IBS, arthritis, and tic delaroux, all conditions exacerbated if not caused by stress. My mother's medical conditions are too numerous and serious to fully list, but they include a badly diseased heart, severe chronic back pain, and dementia. And yet we are luckier than many other City retirees; we both have social security income (some retirees don't), and our house is paid off (we were forced to sell Mom's house). We watch our expenses and we have tried to be careful. We are under unimaginable stress because of the threat of significant loss of income.

Those who argue "there must be shared sacrifice" are almost without exception those people who are not faced with that loss of income, certainly not up to one-third of their income, while simultaneously facing major increases in expenses.

It has been reported that the average pension amount is \$19,000 per year. One third of that is more than \$6,000, leaving less than \$13,000 to live on, coupled with increased medical and tax liabilities. That is untenable, unlivable, unsustainable, and unjust. Many of these lower-income retirees will likely not be heard from, for the very reason they lack the resources, and the confidence, to write their own personal letters to the Court. But the impact on their lives is still very real, even if they may lack the voice to describe it.

Finally, it must also be observed that a very real controversy exists over whether, in fact, the City of Detroit pension systems are in financial crisis at all. Using industry standards for public (as opposed to private) corporations, the City's pension systems apparently meet those standards: 95% funded. It is my understanding that the only time that the pension systems were struggling was following the recent crash of 2007/8, when all other investment systems were similarly in trouble. It is also my understanding, per a report on NPR, that the pension systems' earnings for the past year were 9% for one, and "double digits" for the other, which more accurately reflects the average earnings of these systems over time. These are not the earnings of "under-funded" pension systems.

Further impacting the pensions systems, of course, is the fact that the City owes the systems several millions of dollars.

If asked what, in fact, the City should do to meet its financial obligations, I will profess ignorance, in general, of public corporate financing systems. I read a report, originally published in the Wall Street Journal, suggesting that the "Philadelphia Plan" could be reasonably implemented in Detroit. I do understand that these are difficult decisions.

What I do believe is that the pension systems in general, and the retirees specifically, should not be made answerable for others' mistakes, incompetence, or venality. That strikes me as the height of injustice.

Thank you, your Honor, for your humanity, for your fair decisions, for understanding that financial institutions and their investors are not in the same category as elderly human beings. Thank you for your interest, your patient and thorough attention, and your willingness to hear the voice of the retirees. We hope and expect your decisions to continue to be fair and equitable, particularly to the least powerful and least wealthy of all those groups facing your Honor in this historic proceeding.

Sincerely,

A handwritten signature in cursive script, reading "Stina M. Santiestevan". The signature is written in dark ink and is positioned below the word "Sincerely,".

Stina M Santiestevan
P#55401
(Retired)